



FISCAL MEMORANDUM

HB 519 - SB 884

April 17, 2022

SUMMARY OF BILL AS AMENDED (017570): Exempts physicians and osteopathic physicians from the occupational privilege tax.

FISCAL IMPACT OF BILL AS AMENDED:

Decrease State Revenue – Net Impact – \$9,707,800/FY22-23 and Subsequent Years

Decrease State Expenditures – \$34,000/FY22-23 and Subsequent Years

Increase Local Revenue – \$92,100/FY22-23 and Subsequent Years

Assumptions for the bill as amended:

- The proposed legislation will first apply to tax payments due on June 1, 2023; therefore, the first-year impact will be in FY22-23.
- Based on information provided by the Department of Revenue (DOR), there were an estimated 24,834 occupational privilege taxpayers in FY20-21 that will become exempt pursuant to this legislation. This number is assumed to remain constant in perpetuity.
- The decrease in state revenue is estimated to be \$9,933,600 (24,834 x \$400) in FY22-23 and subsequent years.
- For government employees that are subject to the occupational privilege tax, the agency they work for will pay the \$400 fee.
- Based on information previously provided by the Department of Human Resources, it is estimated that the state pays for 85 persons that would be exempt under the proposed legislation.
- The decrease in state expenditures is estimated to be \$34,000 (85 x \$400) in FY22-23 and subsequent years.
- Based on information from DOR, 32.4 percent of taxpayers in these occupations are estimated to be out-of-state.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent
- Fifty percent of tax savings from in-state taxpayers, net of the amount paid by the state on behalf of such taxpayers, or \$3,346,065 $\{ [(\$9,933,600 - \$34,000) \times (1-.324)] \times 50\% \}$

will be spent in the economy on sales-taxable goods and services in FY22-23 and subsequent years.

- The increase in state sales tax collections is estimated to be \$225,753 $[(\$3,346,065 \times 7.0\%) - (\$3,346,065 \times 7.0\% \times 3.617\%)]$ in FY22-23 and subsequent years.
- The increase in local sales tax collections is estimated to be \$92,124 $[(\$3,346,065 \times 2.5\%) + (\$3,346,065 \times 7.0\% \times 3.617\%)]$ in FY22-23 and subsequent years.
- The net decrease in state revenue as a result of this legislation is estimated to be \$9,707,847 $(\$9,933,600 - \$225,753)$ in FY22-23 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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